

## Message Text

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PAGE 01 BUDAPE 02356 01 OF 02 180838Z  
ACTION FBO-05

INFO OCT-01 EUR-12 ISO-00 A-01 L-03 /022 W  
-----096788 180842Z /15

P 180745Z JUL 77  
FM AMEMBASSY BUDAPEST  
TO SECSTATE WASHDC 8933

LIMITED OFFICIAL USE SECTION 1 OF 2 BUDAPEST 2356

FOR A, A/FBO, EUR/EX, EUR/EE, L/M

E.O. 11652: N/A  
TAGS: ABLD PFOR HU  
SUBJECT: PROPERTY SETTLEMENT NEGOTIATIONS

1. AT FRIDAY MORNING SESSION, TEAM PUT FORWARD, AT REQUEST OF DSD NEGOTIATORS, A PACKAGE OF PROPOSALS ON PROPERTY SETTLEMENT. COPIES OF ENTIRE DOCUMENT BEING POUCHED TO DEPARTMENT.

2. FIRST SECTION NOTED THAT EVALUATIONS OF THE PROPERTIES BEING OFFERED WAS BASED ON GOH MONTHLY RENTALS TO USG AND OTHER DIPLOMATIC MISSIONS TIMES 100. VACANT SITES GENERALLY VALUED AT 25 PER CENT OF VALUE OF BUILDING WHICH COULD BE CONSTRUCTED ON SITE. NOTED ALL VALUES AS NEGOTIABLE, THESE PROPOSALS PUT FORWARD AS A REASONABLE EVALUATION AND BASIS FOR STARTING DETAILED DISCUSSIONS. NOTED THAT EACH FOLLOWING PROPERTY PROPOSAL STATES A VALUE AND THE METHOD OF EVALUATION AND THAT, FOLLOWING THE INDIVIDUAL PROPERTY PROPOSALS, THERE IS ATTACHED A LISTING OF THE PROPERTIES AND SERVICES WE SEEK TO OBTAIN THROUGH THE DSD FOR THE EMBASSY IN BUDAPEST.

3. SEPARATE PROPOSALS FOLLOW ON EACH PROPERTY OFFERED, WITH A COMMENT ON WHAT USE MIGHT BE MADE OF THE PROPERTY, HOW WE REACHED VALUATION, AND WHAT OUR  
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EVALUATION WAS. THE FOLLOWING VALUATIONS ARE CONTAINED IN THE PACKAGE:

BABITS MIHALY-SETANY 1 - \$ 250,000  
TANCICS MIHALY UT 9 - \$ 738,000  
DISZ TER 1-2 - 375,000  
ROSENBERG HAZASPAR UT 7 - 520,000  
MATYAS KIRALY UT 34 - 520,000

THE FIVE RPT FIVE (5)

ROOSEVELT TER PLOTS - 8,010,000

T O T A L 10,373,000

4. THE FINAL SECTION LISTS THE PROPERTIES AND SERVICES  
WE SEEK, AS FOLLOWS:

EIGHT THREE-BEDROOM APARTMENTS, TWO OF WHICH ARE  
REPRESENTATIONAL.

ONE REPRESENTATIONAL HOUSE.

A SECOND REPRESENTATIONAL HOUSE IF RPT IF WE TRANS-  
FER TITLE TO BABITS MIHALY-SETANY.

A GARAGE AND WAREHOUSE PROPERTY, WITH 6-7,000  
SQUARE FEET FOR EACH PURPOSE.

AN OFFICE BUILDING SITE FOR FUTURE CONSTRUCTION.

ADJUSTMENT OF DRIVEWAY AT ER.

CONSTRUCTION OF POOL AND TENNIS COURT AT ER.

REPAIR PLUMBING, CONVERT HEATING SYSTEM, INSTALL  
FREIGHT ELEVATOR TO BASEMENT, FIREPROOF ATTIC, OVER-  
HAUL EXISTING ELEVATORS AT CHANCERY.

CONVERT HEATING SYSTEM AND IMPROVE WATER SYSTEM  
AT NEPSTADION APTS.

CONVERT HEATING SYSTEM AT BELA KIRALY 3A.

RENOVATE PLUMBING SYSTEM AND 14 BATHROOMS AT  
SZECHENYI APTS.

CONVERT HEATING SYSTEM AT BIBITS MIHALY-SETANY  
NO 1.

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FURTHER NOTED WE COULD PROBABLY EQUATE GOH'S  
OFFER OF LEASES FOR AS LONG AS BUILDING LASTS WITH  
FEE SIMPLE OWNERSHIP ON ANY PROPOSED EXCHANGES.  
REITERATED THAT ALL ITEMS ARE NEGOTIABLE AND REQUESTED  
DSD COMMENTS.

5. TEAM SPENT TWO HOURS THIS MORNING INFORMALLY  
TRANSLATING THE DOCUMENTS TO THE DSD REPS AND  
ANSWERING QUESTIONS. DSD REPS DISCUSSED THE PROPOSALS  
AMONG THEMSELVES AND THEN MADE FOLLOWING POINTS:

A. THEY FOUND OUR EVALUATIONS 6-8 TIMES AS MUCH  
AS HUNGARIAN EVALUATIONS WOULD BE. ALL PROPERTIES  
WOULD HAVE TO BE EVALUATED BY USUAL HUNGARIAN METHODS,

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ACTION FBO-05

INFO OCT-01 EUR-12 ISO-00 A-01 L-03 /022 W  
-----096863 180855Z /15

P 180745Z JUL 77  
FM AMEMBASSY BUDAPEST  
TO SECSTATE WASHDC PRIORITY 8934

LIMITED OFFICIAL USE SECTION 2 OF 2 BUDAPEST 2356

FOR A, A/FBO, EUR/EX, EUR/EE, L/M

E.O. 11652: N/A  
TAGS: ABLD, PFOR, HU

WHICH WOULD NOT REFLECT POTENTIAL USES OF PROPERTY AND WOULD, IN CASES LIKE TANCICS MIHALY, WITH ITS MUSEUM PRISON, AND DISZ TER, ACROSS FROM PALACE, REFLECT A NON-ECONOMIC LIMITED VALUE.

B. NOTED SEVERAL PROPERTIES WERE OCCUPIED BY SQUATTERS, WHO WOULD BE DIFFICULT AND EXPENSIVE TO RELOCATE AND WHILE LIVING IN IT, PAID ONLY VERY SMALL RENTS.

C. NOTED THAT SERVICES REQUESTED WOULD BE DIFFICULT TO ESTIMATE AS PART OF A SETTLEMENT.

D. STATED THAT THE ROOSEVELT TER PROBLEM HAD BEEN SETTLED IN 1959 AND THAT THE USG MADE NO APPEAL FROM DECISION.

E. SAID THAT THIS SETTLEMENT IS A COMPLICATED ONE WHICH CANNOT BE RUSHED AND MIGHT TAKE SEVERAL MONTHS TO WORK OUT COMPLETELY.

6. TEAM RESPONDED AS FOLLOWS:

A. WE WOULD NOT ACCEPT A SOLUTION BASED ON EVALUATIONS OF THE PROPERTIES TRANSFERRED TO GOH ON THE BASIS OF EVALUATIONS IN THE LOCAL ECONOMY (WHERE AN LIMITED OFFICIAL USE

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APARTMENT RENTS TO LOCALS FOR \$6-\$25 PER MONTH), WHILE WE WERE BEING CHARGED FOR PROPERTY AND SERVICES FURNISHED BY DSD AT INTERNATIONAL MARKET RATES. THE CONCEPT OF GOH PAYING US \$1 PER SQUARE FOOT PER YEAR FOR SPACE IN THE EXISTING BUILDINGS IN THE ROOSEVELT TER PROPERTY, WHILE THEY CHARGE \$6.40 PER SQUARE FOOT FOR OFFICE SPACE TO FOREIGN MISSIONS AND BUSI-

NESSES IS UNACCEPTABLE. IN ORDER FOR AN AGREEMENT TO BE REACHED, THE GOH IS GOING TO HAVE TO ACCOMMODATE US, IN SOME MANNER, ON THIS PROBLEM.

B. WE SAID THE COST OF RELOCATING THE SQUATTERS COULD BE ABSORBED FROM THE TOTAL COST OF THE LAND TRANSFERRED TO THE GOH, AS AN OFFSET -- IN OTHER WORDS, THAT GOH WOULD ACCEPT RESPONSIBILITY FOR ACCOMPLISHING THE MOVES BUT USG WOULD ASSUME THE COST INVOLVED.

C. TEAM SUGGESTED THAT THE COST OF SERVICES NEED NOT SLOW UP OVER-ALL AGREEMENT. DSD COULD MAKE ROUGH ESTIMATES OF COSTS OF THE REQUESTED SERVICES AND WE COULD ESTABLISH AN ACCOUNT WITH 150 PER CENT OF THIS AMOUNT AND DRAW AGAINST IT AS WORK IS DONE; BALANCE AT END TO RETURN TO USG FOR NORMAL USES.

D. EMPHASIZED THAT USG DID NOT ACCEPT THE 1959 PAYMENT AND EXPROPRIATION OF ROOSEVELT TER PROPERTY, THAT IT CLEARLY APPEALED THE DECISION, AND THAT MFA IS PERFECTLY AWARE. ALSO STATED THERE COULD BE NO AGREEMENT ON OVER-ALL PROPERTY SETTLEMENT WITHOUT ACCOMMODATION TO USG POINT ON THIS SCORE. WE LAID OUT THE SUGGESTION THAT, IF GOH FOUND IT DIFFICULT TO ADJUST ITS 1959 EXPROPRIATION TERMS, WE MIGHT ACCEPT THE FICTION OF AGREEMENT TO THE 1959 SOLUTION, IF GOH SUBSTANTIALLY SWEETENED THE POT IN PAYMENT FOR THE REMAINING THREE BUILDINGS WHICH FORMED PART OF OUR LIMITED OFFICIAL USE

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ORIGINAL ROOSEVELT TER HOLDINGS. (MFA REP'S EYES LIT UP AT THIS SUGGESTION.)

E. FINALLY NOTED THAT WE HOPE AGREEMENT, OR AT LEAST TENTATIVE SETTLEMENT, SUBJECT TO GOH RATIFICATION WITH POSSIBLE MINOR ADJUSTMENTS, CAN BE REACHED PROOR TO AMBASSADOR'S ARRIVAL. NOTED WE, LIKE DSD, HAVE HEAVY RESPONSIBILITIES AT HOME; THAT WE CANNOT STAY INDEFINITELY; AND THAT THERE MAY BE NO SIMILAR OPPORTUNITY FOR SETTLEMENT IN NEAR FUTURE. WE URGED EARLY SETTLEMENT AND DSD SEEMED TO UNDERSTAND URGENCY AND WILL TRY RPT TRY TO EXPEDITE DECISIONS.

7. ALTHOUGH POSITIONS ARE PRESENTLY WIDE APART, BOTH SIDES SEEM ANXIOUS TO REACH A MUTUALLY ACCEPTABLE SOLUTION. WE DO NOT EXPECT A SOLUTION BASED ON \$10,000,000 FOR TRANSFERRED PROPERTIES, AND WE DOUBT DSD THINKS ANY LONGER OF A \$1 MILLION SETTLEMENT. NEXT MEETING--POSSIBLY TUESDAY, MORE LIKELY WEDNESDAY--WILL GIVE CONCRETE EVIDENCE OF POSSIBILITIES OF A SOLUTION THIS TRIP.

8. BETWEEN NOW AND WEDNESDAY, TEAM WILL BE SURVEYING

POSSIBLE SITES AND APARTMENTS SUGGESTED BY GOH;  
ROBERT JONES WILL BE MEETING TUESDAY WITH HUNGARIAN  
ARCHITECTS TO DISCUSS CONSTRUCTION METHODS AND TEAM  
WILL JOIN FOR VIEW OF CONSTRUCTION UNDERWAY; WE WILL  
BE LOOKING INTO SOLUTIONS TO CONSTRUCTION AND REPAIR  
PROBLEMS AT ER, OB, AND APARTMENTS.  
MUDD

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009